

**Folger Nolan Fleming Douglas Incorporated**

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**[www.fnfd.com](http://www.fnfd.com)**

This brochure provides information about the qualifications and business practices of Folger Nolan Fleming Douglas Incorporated ("FNFD"). If you have any questions about the content of this brochure, please contact Christopher Durchanek, Vice President at (202) 626-5326. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about FNFD is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## Material Changes

There have been no material changes since the March 2011 annual update.

This page contains a statement of material changes only, and not a complete listing of all changes since the last annual update of the firm's brochure dated March 2011.

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## **Advisory Business**

FNFD is a dually registered broker-dealer and investment adviser. FNFD was formed as a broker-dealer in 1931, and has a history as an investment firm dating back to 1889. FNFD registered as an investment adviser in 2007 to participate as an investment adviser in wrap fee (all-inclusive fee that covers generally, advisory, brokerage, custodial and reporting services) programs made available by Wells Fargo Advisors, LLC (“WFA”). FNFD is principally owned by Lee M. Folger and John D. Folger through limited partnerships and corporations.

FNFD has entered into an agreement with WFA, pursuant to which WFA provides sub-advisory and/or other services to FNFD clients in connection with certain wrap fee programs available from WFA.

The WFA wrap fee programs currently available from FNFD are the Asset Advisor Program (“Asset Advisor”), CustomChoice Program (“CustomChoice”), Masters Investment Consulting Program (“Masters”), Diversified Managed Allocations Program (“DMA”), FundSource Program (“FundSource”), Allocation Advisors Program (“Allocation Advisors”) and Compass Advisory Program (“Compass”) (collectively the “Program(s)”). Clients of the Programs described herein are clients of FNFD.

FNFD is the sponsor of the Asset Advisor and CustomChoice Programs to which WFA provides certain non-advisory services that enables FNFD to offer these Programs. WFA does not provide advisory services for these Programs.

WFA provides advisory and other services to FNFD clients with respect to the Masters, DMA, FundSource, Allocation Advisors and Compass Programs. Please review the appropriate WFA brochure for a complete description of services and fees for these Programs.

FNFD has entered into a brokerage clearing agreement with First Clearing, LLC (“FCC”), an affiliate of WFA, to execute and perform the clearance on a fully disclosed basis of all purchase and sale orders directed to it by FNFD for the Programs selected by clients.

FNFD is not related to or affiliated with WFA or FCC.

As of March 31, 2012 there were \$ 80,927,245 in client assets under management in the Asset Advisor and Custom Choice Programs and \$ 3,450,725 in client assets in other Programs.

## **Types of Clients**

The advisory services of FNFD described in this brochure are generally provided to individuals, but may also be provided to pension, profit sharing or other retirement plans, trusts, estates or charitable organizations.

## **Services, Fees and Compensation**

FNFD Account Executives meet with the client to review the client’s investment objectives, financial circumstances and risk tolerance, and investment profile information provided by the client. The result of this assessment is communicated to WFA and if applicable, the Program investment advisor(s) in establishing an investment management account consistent with Program guidelines.

Each client has the ability to impose reasonable restrictions on the management of the client’s account, in some cases including the designation of particular securities or types of securities that should not be purchased for the account or sold if held in the account. A client will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange traded funds with respect to the purchase or sale of specific securities or types of securities within the mutual fund.

Under the Programs, FNFD effects securities transactions as agent for clients but receives no additional brokerage execution compensation over and above its portion of the Program management fee.

Not all advisers require their clients to direct brokerage. Because the Program fees are all-inclusive wrap fees, participation in the Programs requires that transactions be directed to FNFD with execution and clearance performed on a fully disclosed basis by FCC.

As a general matter, FNFD considers it appropriate to use the execution and clearance services provided for in the brokerage clearing agreement with FCC for the purchase and sale of securities involved in the Programs. On occasion, FNFD, WFA, the sub- advisor, or clients may designate other brokers or other legal requirements may dictate the use of other brokers. Costs and transaction fees arising out of transactions effected by entities other than FNFD or its agent will be separately borne by clients.

Pursuant to the clearing agreement between FNFD and FCC, FCC performs for FNFD certain custodial functions customarily performed with respect to securities brokerage accounts, which, among other things, will include crediting of interest and dividends on account assets and crediting of principal on called or matured securities in the account.

FCC provides FNFD with certain administrative, computer software and documentation services in order that FNFD may provide the Program services. FNFD compensates FCC pursuant to a brokerage clearance fee schedule.

Unless agreed upon otherwise, Program clients authorize FNFD to deduct quarterly, in advance, from the account(s) of the client the fee at the rate indicated in the Fee Schedule for that Program.

The fee does not include certain dealer markups or markdowns, costs attributable to “spreads” between the inter-dealer purchase and sales price, odd lot differentials, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law.

For clients invested in mutual funds, the annual fee is in addition to the fees and expenses charged by the underlying mutual funds, as set forth in the prospectus of such funds.

The initial fee is calculated as of the date that the account is accepted into the Program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the securities and cash held for the particular account of the Client on the last business day of the preceding calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in the Account during that period. The Account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 fee for that quarter. Fees will be assessed or refunded in the month following the net addition or net withdrawal.

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. Established fees may not be increased unless the Client executes a new agreement.

The minimum account size may be different for IRA (or otherwise qualified) accounts. To the extent a minimum fee is established for these Program accounts, the fee may cause the effective Program Fee rate (expressed as a percentage) to be greater than the fee rate specified.

The wrap fee charged is split between FNFD, WFA, and for Masters and DMA, the sub-advisors to the Program. The split of the total annualized fee may vary over time based upon the total account value and/or overall asset allocations. Annualized advisory fees received by WFA range between 2.5 and 35 basis points, and for Program sub-advisors between 3 and 55 basis points. The advisory fee received by FNFD is the total fee charged less the portions retained by WFA and any Program sub-advisors. The total annualized advisory fee charged is disclosed in the WFA Account Agreement for each Program.

FNFD Account Executives are compensated solely by FNFD. A portion of the fees received by FNFD for Programs is normally paid by FNFD to its Account Executives in connection with the introduction of

accounts and/or the provision of client-related services within those Programs. The portion of the fee paid by FNFD to its Account Executives ranges from 20% to 50% of the fees received by FNFD.

The Program fees FNFD receives may be more than if clients paid separately for investment advice, brokerage commissions and other services, such as in a traditional broker-dealer account relationship in which commissions may be paid on a trade by trade basis. In particular this will likely be the case for a strategy involving minimal trading activity.

Clients also acknowledge that fees charged their accounts under Programs may be higher than those otherwise available if a client selected an investment advisor and the investment advisor were then to select a broker-dealer and negotiate commissions, in the absence of investment advisory services provided.

Therefore, FNFD Account Executives may have a financial incentive to recommend Program services over other programs or services. It is FNFD's intent however, to make all recommendations independent of such fee considerations and based solely on client needs and objectives.

All FNFD investment advisory fees described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested. Program fees may vary among accounts of the same size using the same Program. Clients should consider the value of the additional advisory services when making comparisons. The custodial, advisory and brokerage services offered in combination through the Programs may not be available separately or may require multiple accounts, documentation and fees. In addition, certain advisors may not be available to certain clients outside the Programs because of minimum account sizes, fee schedules, geographic availability or other factors.

Mutual fund shares may be held as investments in client Program accounts. In addition, for management of cash balances, FNFD makes available to investment advisory clients and its own brokerage clients sweep arrangements with various money market mutual funds managed by Federated Investors, Inc. or affiliates ("Federated"). As a shareholder of any mutual funds, in addition to fees paid by a client to FNFD under a Program, the client will bear a proportionate share of the funds' expenses, including the management fees that are paid to the fund's investment advisor, and will bear any other charges levied by a fund. The Program investment advisors, including FNFD, may recommend closed end funds or Exchange Traded Funds for clients' portfolios that may also have management fees or other charges and expenses.

For any mutual fund held in a client account for any Program, payments for distribution assistance commonly referred to as 12b-1 payments are paid to WFA by the mutual fund. These 12b-1 payments are not currently paid to FNFD. The annualized amount of the 12b-1 payments is disclosed in the prospectus for each mutual fund owned.

In connection with money market mutual fund sweep arrangements managed by Federated, FNFD may receive certain payments from the funds and/or from Federated. Such payments are received through FCC, which may also receive payments with respect to such balances. These include 12b-1 distribution assistance payments, payments for shareholder services provided to the Funds, including statement preparation and shareholder accounting, and payments for distribution and promotional assistance from Federated out of its own resources (including fees from portfolio management). Such payments range from 0 to .60 of 1% of client cash balances invested in Federated Funds, depending upon the Fund in which balances are invested and the average aggregate monthly balances of FNFD customer cash balances invested.

For more information about any mutual fund, and a complete description of its fees, charges and expenses or any of its revenue sharing or expense compensation arrangements, clients should consult the applicable fund's prospectus.

### Asset Advisor Program

In the Asset Advisor program, FNFD Account Executives provide clients with non-discretionary investment recommendations, which the client must accept before FNFD effects a transaction on the client's behalf. FNFD through its Account Executives seeks to recommend securities consistent with the client's investment objectives, financial situation, risk tolerance and any investment restrictions. Account Executives provide recommendations on the basis of research and analysis that FNFD reasonably deems to be reliable but is not guaranteed. Clients may accept FNFD recommendations or may select investments themselves for their own accounts. FNFD provides monitoring and reporting of portfolio performance to clients on a periodic basis.

Most types of securities are eligible for purchase in an Asset Advisor account including, but not limited to common stocks, exchange-traded funds and certain mutual funds whose shares can be purchased at net asset value. Collectively, these are referred to as "Program Assets". Certain assets, such as mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and are referred to collectively as "Excluded Assets". Excluded Assets may be purchased or sold in an Asset Advisor account, but these transactions will incur commissions or other transactional charges.

The Program offers periodic rebalancing by WFA of the mutual funds in the client's account, at the client's request. Rebalancing is available at predetermined intervals (e.g., annually) or upon the client's direction. Asset Advisor accounts are charged an all-inclusive wrap fee on Program assets that covers advisory, brokerage, custodial, and reporting services. Certain assets in the accounts participating in the Asset Advisor Program (e.g. non-program mutual funds) may be designated as "excluded assets" for purposes of the calculation of the quarterly Program fee or account performance reporting. A commission may be charged if the client places trades in "excluded assets". A commission may also be charged on trades that exceed a maximum number of annual trades per account, currently set at 120 trades per year. Option transactions in Asset Advisor accounts may also be charged a clearance and execution fee currently set at \$13 per option trade. The minimum account size for Asset Advisor is \$50,000. Asset Advisor accounts are subject to an annual minimum fee of \$1,000.00.

The following are the maximum fees that may be charged for Program Assets. Fees, which include commissions, are negotiable and may differ from the fees set forth below.

<u>Total Account Value</u>	<u>Maximum Annual Fee</u>
First \$250,000	3%
Next \$750,000	2.5%
Over \$1,000,000	2 %

### Custom Choice Program

The CustomChoice Program is a non-discretionary investment advisory service designed to provide recommendations that will assist clients in allocating their assets among open-end mutual funds in accordance with their investment objectives.

FNFD will recommend an appropriate mix of mutual funds from either the Recommended Fund Roster of the FundSource Program, or other mutual funds considered Allowable Mutual Funds.

Clients may authorize WFA to automatically rebalance their account in order to maintain the client's mutual fund holdings in conformance with their target asset allocation.

Actual fees may differ from those described in the WFA CustomChoice Disclosure Document and from the maximum fees set forth below. The minimum account size for CustomChoice is \$25,000. CustomChoice accounts are subject to an annual minimum fee of \$500.00.

<u>Total Account Value</u>	<u>Maximum Annual Fee</u>
First \$250,000	1.75%

Next \$750,000	1.5%
Over \$1,000,000	1.15%

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Account relationships and investment strategies are based upon consultation by our Account Executive with the client, and concurrent review of the client's investment objectives, financial circumstances, risk tolerance, and any investment restrictions. The information provided by the client during the new account opening and investment profiling process is used to determine and implement an investment strategy specific to the client's needs and circumstances.

The main sources of information used to make investment recommendations include research reports prepared by others, financial publications, corporate rating services, company press releases and annual reports, prospectuses, and filings with the Securities and Exchange Commission.

Investments to implement a strategy may be made in equity securities, open and closed end mutual funds, and exchange-traded funds ("ETFs"). ETFs and mutual funds may be used to gain exposure to fixed income markets, specific equity market sectors and international markets. ETFs represent shares of ownership in either mutual funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed generally to correspond to the price and yield performance of their underlying indexes, representing either the broad stock market, various market sectors at different capitalization levels, industry sectors, international stock, U.S. bonds, or international bonds.

Any investment in securities involves the risk of loss of principal. The success of investment activities for client accounts may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of client investments. Unexpected volatility or illiquidity could impair profitability of investments or result in losses. There is no guarantee that any Program will be successful in implementing its investment strategies.

Account values could fluctuate over short periods of time due to short-term market movements and over longer periods due to market downturns. Individual securities in client accounts may face trading risks, including the potential lack of an active trading market and the resulting inability to sell the security or sell at favorable times or prices. The value of individual securities in your account may be adversely affected and decline in value as a result of changes to the issuer's financial condition, credit rating or other adverse circumstances.

Specific types of securities each have attendant risks:

The equity market sector will generally present the greatest degree of risk of loss to client portfolios. The value of equity securities may fluctuate in response to company specific factors, industry market conditions or the general economic environment. Common shares generally are the most junior securities in a company's capital structure and are thus in the first-loss position and the most susceptible to fluctuations in value. The securities of smaller companies may involve greater risk and their prices may be subject to greater volatility than those of larger companies.

International equity investments involve additional risks, including the risk of capital loss from unfavorable fluctuations in currency values, differences in accounting treatment, or economic or political instability in other nations. In addition, the application of foreign tax laws (e.g. the imposition of withholding taxes on dividends or interest payments) or confiscatory taxation may effect investments in foreign securities.

The value of fixed-income securities may change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities can be expected to decline. The market value of fixed-income securities also varies according to the relative financial condition of the issuer.



Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to replicate exactly the performance of the indexes because of their expenses, tracking error (discrepancy between the composition of the underlying index and the composition of the ETF), and other factors. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based.

#### **Risk in the use of Margin:**

For clients that may borrow against the value of the assets in their account, interest is charged as disclosed in the FCC margin lending agreement. FNFD receives payments from FCC for a portion of the interest rate charged to clients. The portion FNFD receives is based on a number of variables including the amount of FNFD customer debit balances versus FNFD free credit balances (“matched” and “unmatched” customer debit balances) and the net cost of funds assessed to FNFD by FCC as determined by the matched and unmatched customer debit balances. To the extent margin is used in your account, the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based advisory fee you are charged. The increased asset-based advisory fee may provide an incentive for your Account Executive to recommend the use of margin. The use of margin increases risk through the increase of leverage in an account.

#### **Voting Client Securities**

FNFD does not vote proxies on behalf of clients; accordingly, it does not maintain proxy voting procedures. Under certain Programs (Masters and DMA) the investment managers selected by the clients vote proxies unless the client elects otherwise. For other Programs, clients have the ability to vote proxies, and it is anticipated they will vote proxies for securities purchased. For information on WFA policies and procedures related to the voting of proxies, refer to the WFA Disclosure Document for the specific Program.

Clients will receive their proxies or other corporate actions directly from the custodian or transfer agent.

#### **Client Information to be Provided to FNFD**

The Account Profile must be completed with the assistance of your FNFD Account Executive. The Account Profile outlines your investment objectives, financial circumstances, risk tolerance and any restrictions you may wish to impose on your investment activities. At least annually, the FNFD Account Executive will contact each client to determine whether there have been any material changes in the client’s financial circumstances, investment objectives or instructions and to provide a review and evaluation of the client’s portfolio in light of these investment considerations. Any changes are communicated to the Program manager.

#### **Client Contact with Account Executives**

Account Executives are generally available on a routine basis during normal working hours or by arranged appointments outside of these hours to consult with clients.

#### **Disciplinary Information**

On August 23, 2007, Folger Nolan Fleming Douglas Capital Management, Inc. (“CMI”), (previously an unincorporated division and now a wholly owned subsidiary of FNFD), settled a Securities and Exchange Commission Administrative Proceeding without admitting or denying the findings of the SEC.

The SEC made findings that, in violation of the Investment Advisers Act of 1940 and rules thereunder, CMI (while previously an unincorporated division of FNFD) did not obtain best execution on trades for clients and

did not disclose to clients referred by FNFD brokers that there existed a potential conflict of interest, in that CMI might be reluctant to recommend a lower cost broker-dealer to avoid jeopardizing the flow of future referrals. The SEC also found that FNFD failed to make and keep records of agreements with certain advisory clients evidencing their selection of FNFD for custody and trade execution.

CMI was censured and ordered to cease and desist from committing or causing any violations of Sections 206(2) and 204 of the Advisors Act and rules thereunder. In addition, FNFD paid a monetary fine of \$100,000 and an additional \$244,921 in disgorgement and prejudgment interest.

### **Other Financial Industry Activities and Affiliations**

FNFD is a dually registered broker-dealer and investment adviser and is a member of the New York Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. (FINRA). Accordingly, management personnel of FNFD are registered representatives and registered principals.

CMI is a wholly owned, indirect subsidiary of FNFD providing discretionary investment management services to its clients.

The advisory business of CMI is entirely separate from the advisory services provided by FNFD to FNFD clients who elect to participate in the Programs. CMI does not act as advisor in connection with any of the Programs described in this brochure.

CMI and FNFD share some members of management. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD and a Registered Representative and Registered Principal of FNFD. Robert D. Leahy, the Secretary of CMI, is also Senior Executive Vice President and Secretary of FNFD and a Registered Representative and Registered Principal of FNFD. Lee M. Folger is the Chairman of the Board of both CMI and FNFD and is also a Registered Representative of FNFD. Richard O'Brien, Senior Executive Vice President of FNFD is a director of both FNFD and CMI and is also a Registered Representative and Registered Principal of FNFD.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

FNFD and its affiliate CMI are engaged in other securities and investment advisory services. FNFD or CMI may also give advice and take action in the performance of their duties to clients which differ from advice given, or the timing and nature of action taken, with respect to the Programs, or advice being given by Program advisors. Additionally, FNFD or CMI may, from time to time, not be free to divulge or act upon certain information in their possession received from confidential sources.

FNFD Account Executives may invest in the same securities recommended to clients and may also buy or sell securities for client accounts at or about the same time that the Account Executives buy or sell the same securities for their own accounts.

In order to address conflicts that may arise from personal trading by Account Executives, FNFD has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisors Act. The portion of the Code that governs personal securities transactions is applicable to all Account Executives, certain officers of FNFD and members of their households. The Code requires all Account Executives to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other requirements prohibit Account Executives from taking personal advantage of opportunities belonging to clients, prohibit trading on the basis of material nonpublic information (insider trading), address personal trading by Account Executives and impose reporting requirements with respect to such trading, impose limitations on the giving or receiving of gifts and entertainment and restrict outside business activities.

It is FNFD's policy that it will not trade with FNFD investment advisory clients as principal.

A copy of FNFD's Code of Ethics may be obtained from FNFD's investment advisory Chief Compliance Officer, Joseph M. Urban, at (202) 626-5300.

### **Review of Accounts**

At least annually, Account Executives contact each of their clients to determine whether there have been any material changes in the client's financial circumstances, investment objectives or instructions and to provide a review and evaluation of the client's portfolio in light of investment goals and objectives. When necessary, any changes are communicated to the Program manager.

FNFD through FCC will transmit to clients (and where appropriate to the applicable investment advisor) trade confirmations reflecting all transactions in securities; provided, however, that periodic statements of account activity may be furnished in lieu of transaction by transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act. FNFD will also transmit statements of account activity at least quarterly.

Periodic portfolio monitoring reports (generally quarterly) are prepared by WFA or its affiliates. FNFD does not audit the accuracy of the calculations performed on client Program account information or warrant that the portfolio monitoring report was prepared in accordance with industry standards. Upon request, the Account Executive will review each client's quarterly portfolio monitoring report with the client.

### **Review of Inactive Accounts**

FNFD will periodically re-evaluate no less than annually the level of annual trading below which a further review of an account will be performed. The account will be reviewed to evaluate whether the wrap fee Program and the bundled fees continue to be appropriate for the client. Periodic or annual reviews of client accounts conducted by Account Executives may be reviewed and the Account Executive may be required to provide an explanation of the investment strategy and ongoing advice being provided the client, and an explanation for the account's inactivity. Based on a review of the factors relevant to an analysis of the continued suitability of the wrap fee Program, clients may be advised of the fees paid related to the level of trading in an account and be offered the option to leave the Program and open an alternative type of broker-dealer or investment advisory account.

### **Custody**

FNFD does not act as a qualified custodian for client accounts.

FCC qualifies as "qualified custodian" as described by Rule 206(4)-2 of the Investment Advisers Act and pursuant to the clearing agreement between FNFD and FCC, FCC maintains custody of client assets.

### **Performance-Based Fees and Side-by-Side Management**

FNFD does not charge performance-based fees.

### **Investment Discretion**

FNFD does not manage client accounts on a discretionary basis.

### **Masters, DMA, FundSource, Allocation Advisors, Compass Advisory Program Fees**

Listed below are the maximum fees that may be charged for each of these Programs. Fees, which include commissions, are negotiable.

#### **Masters Program**

Actual fees may differ from those described in the WFA Disclosure Document and from the maximum fees set forth below. The minimum account size for Masters is \$100,000.

Equity and balanced accounts:

<u>Total Account Value</u>	<u>Maximum Annual Fee</u>
First \$250,000	3%
Next \$750,000	2.5%
Next \$1,000,000	2%

#### **DMA Program**

Actual fees may differ from those described in the WFA Disclosure Document and the maximum fees set forth below. The minimum account size for DMA is \$150,000, and may be subject to DMA Program manager minimums.

<u>Total Account Value</u>	<u>Maximum Annual Fee</u>
First \$250,000	3%
Next \$750,000	2.5%
Next \$1,000,000	2%

#### **FundSource Program**

Actual fees may differ from those described in the WFA FundSource Disclosure Document and from the maximum fees set forth below. The minimum account size for FundSource is \$25,000. FundSource accounts are subject to an annual minimum fee of \$500.00.

<u>Total Account Value</u>	<u>Maximum Annual Fee</u>
First \$250,000	1.75%
Next \$750,000	1.5%
Over \$1,000,000	1.15%

#### **Allocation Advisors Program**

There is a \$25,000.00 or \$50,000.00 minimum required to open an account, and a minimum \$75.00 or \$250.00 quarterly fee, depending upon the Model Portfolio selected. The maximum annual fees are indicated below.

<u>Total Account Value</u>	<u>Maximum Annual Fee Strategic Portfolios</u>	<u>Maximum Annual Fee Other than Strategic Portfolios</u>
First \$500,000	1.5%	2.25%
Next \$500,000	1.25%	1.75%
Next \$1,000,000	1.0%	1.5%
Amounts over \$2,000,000	Negotiable	Negotiable

### Compass Advisory Program

Actual fees may differ from those described in the Compass Advisory Program Disclosure Document and the maximum fees set forth below. The minimum account size for Compass Advisory Programs is; \$50,000.00 for exchange traded funds portfolios and from \$50,000.00 to \$200,000.00 depending upon which individual asset class or asset allocation portfolio is selected. Compass Advisory Program accounts are subject to a quarterly minimum fee of \$250.00.

	Individual and Asset Allocation Growth Portfolios	ETF and Asset Allocation Growth and Income Portfolios
<u>Total Account Value</u>	<u>Maximum Annual Fee</u>	<u>Maximum Annual Fee</u>
First \$500,000	2.5%	2.00%
Next \$500,000	2.00%	1.5%
Next \$1,000,000	1.5%	1.00%